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STATE FOR WHA/BSC, INR/IAA, INR/R/AA
STATE PASS USTR FOR KATE DUCKWORTH
NSC FOR TOMASULO
TREASURY FOR OASIA, DAS LEE AND JHOEK
USDOC FOR 4332/ITA/MAC/WH/OLAC
USDOC ALSO FOR 3134/USFCS/OIO
DOL FOR ILAB
SOUTHCOM ALSO FOR POLAD
USAID FOR LAC/AA

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SUBJECT: PT PREPARES FOR NATIONAL CONGRESS

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SENSITIVE BUT UNCLASSIFIED - PLEASE PROTECT ACCORDINGLY.

SUMMARY

1. (SBU) In recent meetings with Poloff, leaders within the Workers Party (PT) outlined the focus of the upcoming PT National Congress. According to Renato Simoes and others, the Third National Congress of the Workers' Party (PT) will not be a forum for great ideological debates, but rather an opportunity for leaders and factions to position themselves for upcoming electoral struggles such as the municipal elections in 2008 and national elections in 2010. The National Congress will also address the future leadership of the party, seek to enhance the party's profile, and build a lasting constituency in a post-Lula PT party. End Summary.

2. (U) The PT will hold its National Congress, only the third in its 27-year history, from August 31 through September 2 in Sao Paulo. Some 1,500 delegates from Brazil's 6 states and the Federal District will participate. The Congress comes at a difficult moment in the party's history as the Lula administration has been rocked by a number of scandals as well as internal dissension. After weathering the trauma of a major corruption scandal in 2005 to elect 83 Federal Deputies, five Governors, and to re-elect President Lula, the PT is plagued by disgruntlement and disillusion in its leftist base. Serious internal divisions and rivalries, growing public weariness over federal government policies, and the lack of a strong national candidate to succeed Lula have all contributed to a lack of focus within the PT.

13. (U) Over the past few weeks, Poloff and Political Assistant have met with various party leaders, thinkers, and office-holders to discuss the issues that are most likely to emerge during the PT National Congress. These meetings included: Renato Simoes, acting Secretary for Social Movements and a member of the PT's National

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Executive Committee; Rui Falcao, a Sao Paulo state legislator and former party President who managed Lula's unsuccessful 1994 presidential campaign; and Ricardo Azevedo, president of the Perseu Abramo Foundation (FPA), the PT's think tank. From varied perspectives and with differing points of emphasis, each described the state of play and the issues to watch for in the Third Congress as well as the 2008 municipal elections, and the 2010 national and state executive and legislative elections.

THEMES AND THESES

14. (U) Three broad themes have been identified for discussion at the Congress: "The Brazil We Want," "PT Socialism," and "PT: Conception and Functioning." Representatives of different schools of thought within the party have published 12 "theses," which have been debated and refined in local and state party congresses. The first two are relatively uncontroversial - the PT wants a growing, developing free Brazil with a strong dose of egalitarianism and emphasis on social progress, including more rights and better access for Afro-Brazilians, indigenous peoples, workers, and the poor, and favors a vigorous democratic socialism - with only some priorities and details to be worked out. However, the question of the party's conception and functioning - how it operates in a multi-party system - has stimulated a variety of responses and has the potential to be an area of contention. NOTE: An in-depth look at the various power

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centers is forthcoming septel. END NOTE.

WHO SHALL LEAD?

15. (SBU) Due to the multi-faction nature of the PT, the question of internal party elections figures to loom large at the National Congress. In September 2005, the party elected its national president, executive committee, and national, state, and local directorates to three-year terms. The timeline calls for new internal elections in September 2008, but most in the PT resist the idea of holding internal elections so close to the October municipal elections. A small portion of the PT's largest faction, the Campo Majoritario (CM), favors postponing internal elections until early 2009, but most other parties prefer to move them forward to either late 2007 or early 2008 (before the municipal races are in full stride) to get new leadership in place sooner rather than later.

16. According to both Simoes and Falcao, the incumbent PT president, Ricardo Berzoini (a Social Security Minister and later Labor Minister in Lula's first term) of the CM is a strong candidate for re-election, though not without opposition. However, Berzoini has said both publicly and privately in the past week that he will not run, and Azevedo thinks he should be believed. Comment: Elected in the aftermath of the "Mensalao" vote-buying scandal (see ref E), Berzoini has never been seen as a strong leader. He was forced to step aside in October 2006 after being implicated in another scandal involving a fake political "dossier" designed to undermine Sao Paulo gubernatorial candidate Jose Serra. Though he later returned to the job, he has never recovered his strength. End Comment.

17. (SBU) If Berzoini does not run, logical choices would include two old-timers, Marco Aurelio Garcia (PT first vice president who served as acting President in Berzoini's absence and is currently President Lula's Foreign Affairs Advisor) and Luiz Dulci, the Secretary General of the Presidency. Garcia, however, has said he

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doesn't want the job and is also suffering from an image problem ever since he was captured on national television making obscene gestures to "celebrate" the news that the July 17 crash of TAM 3054 at Congonhas airport in Sao Paulo, which killed 199 people, may have been caused by mechanical problems and not by factors under the government's purview such as the short, slippery runway. Luiz Dulci, a founder of both the PT and the Unified Workers Center (CUT) and a past President of the Perseu Abramo Foundation who remains one of President Lula's oldest and closest friends, has also said he is not interested, but may change his mind. As one of the few members of the old guard to emerge untainted from the scandals and to remain in the government, and reportedly one of the only people left in the Presidential palace in whom Lula still confides, if forced to choose between party and government, Dulci would probably want to stay in the government.

¶8. (SBU) Other potential candidates have emerged, such as Olivio Dutra, former Governor of Rio Grande do Sul and former Minister of Cities and, most recently, Antonio Palocci, a Federal Deputy who served as Finance Minister 2003-6 before resigning over a blatant abuse of his office to escape incrimination in a sex scandal. Both would likely generate opposition from either the CM, in the case of Dutra, or the PT's left wing, in the case of Palocci. While long-shots, both potential candidates are waiting in the wings in the event that Berzoini, Garcia, or Dulci decide not to run.

WHAT TO DO ABOUT 2010 AND WHEN TO DO IT

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¶9. (SBU) The question about when to elect new party leadership, and whom to elect, is extremely important because the new PT president must lead the party into national elections three years from now. Political observers agree that all parties are already focused on 2010, but none so much as the PT, which for the first time will offer a candidate not named Lula. NOTE: Some observers believe that Lula hopes to see a weak President elected so he can mount another challenge in 2014 (the Constitution prohibits three consecutive terms, but nothing precludes Lula from running in 2014, when he will be 68) End note.

¶10. (SBU) The decision on when or if to field a leading candidate either from the PT or any of the other coalition parties is also at center stage for this National Congress. Azevedo predicted that if left up to him, Lula would not decide whom to support until sometime in 2009, after the municipal elections have clarified the picture. Lula aspires to be the Great Elector and kingmaker, to perpetuate his legacy, but many in the PT will insist on beginning now to work on identifying a PT candidate. Comment: Many analysts agree that fielding a candidate too soon would result in increasing dissension within the PT ranks and would offer a target for the opposition to attack. End Comment.

¶11. (SBU) Regarding the political/economic platform of the PT, there is near unanimity that the political system needs to be overhauled before any meaningful economic reforms or improvements in governance can take place. The Lula administration put forward a bill with four elements: 1) Voting for a closed party list; 2) Public financing of election campaigns; 3) Party fidelity; and 4) An end to coalitions in campaigns governed by proportional voting, e.g., legislative campaigns. The PT generally supports the bill, but numerous PT Federal Deputies oppose the closed party list (in which voters are asked to choose a political party, whose slate of candidates is selected by party leaders but not disclosed to voters). Even though strong opposition to this reform agenda by the opposition appears to have killed three of the four initiatives for now, the PT is likely to maintain many of these areas as central themes going into 2010. A party fidelity measure was approved in committee in the Chamber of Deputies and is now awaiting a plenary vote.

COMMENT

¶12. (SBU) Despite the challenges it faces, the PT remains strong in many ways. Labor leaders such as the Unified Workers' Center (CUT's) Joao Felicio, while taking issue with some of Lula's policies, freely acknowledge that Brazil may never again see a candidate so friendly to labor. In addition, the PT is closely associated with public welfare campaigns such as the "Bolsa Familia" from which roughly 25% of Brazilians receive financial support, and thus remains strong with the economically disadvantaged of the country. But there is no question that the burdens associated with running the federal government, with its accompanying coalition-building and compromising, has severely taxed the party's political talent and tarnished its image. It is losing old friends; a number of radicals left in 2005 to join Heloisa Helena's Socialism and Liberty Party (PSOL); the MST (Landless Movement) is increasingly alienated by what they perceive as a lack of commitment to agrarian reform; and we hear increasingly that the Communist Party of Brazil (PC do B) wants to leave the coalition and may even launch a new labor central in competition with the CUT, a PT sister organization. The question remains whether the support enjoyed by the PT is support of Lula or of the party itself. How the PT will meet this challenge and burnish its image is perhaps the most important issue its Third Congress will have to address. End

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Comment.

¶13. (U) This cable was coordinated with Embassy Brasilia.

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